

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

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C O N F I D E N T I A L CAIRO 8049

EO 11652: GDS

TAGS: ENRG EG

SUBJECT: SUEZ REFINERIES LIMP BACK INTO OPERATION

SUMMARY: EMBOFFS VISITED NEWLY REOPENED SUEZ REFINERIES
AUG 6. REFINERIES HAVE MADE REMARKABLE PROGRESS RESTORING
WHAT USEFUL CAPACITY WAS LEFT AFTER WAR OF ATTRITION. SUEZ
REFINERY HAS RESTORED SINGLE ATMOSPHERIC UNIT TO 1,000 TON
PER DAY CAPACITY AND NASR REFINERY HAS RESTORED 2 ATMOSPHERIC
UNITS TO TOTAL 9,000 TON PER DAY CAPACITY. REOPENED REFINERIES
ARE MAKING MAJOR CONTRIBUTION TO CANAL AREA RECONSTRUCTION
AND PRESENT GOOD INVESTMENT OPPORTUNITY FOR AMERICAN COMPANIES.
END SUMMARY

1. SINCE MINISTER OF PETROLEUM AHMED HILAL OFFICIALLY REOPENED
TWO SUEZ REFINERIES ON APRIL 12, 1975, THERE HAS BEEN CONSIDERABLE
SPECULATION REGARDING PRESENT CAPACITIES AND FUTURE PLANS.

EMBOFFS VISITED SUEZ REFINERIES ON AUG 6, WITH PERMISSION
OF MINISTRY OF PETROLEUM AND EGYPTIAN SECURITY POLICE (WHO
GRANTED PERMIT ONLY AT LAST MINUTE.)

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2. PRIOR TO 1967 THERE WERE TWO REFINERIES IN SUEZ:

A) SUEZ REFINERY, WHICH WAS ORIGINALLY AND CONTINUOUSLY A WHOLLY-OWNED EGYPTIAN GOVERNMENT REFINERY, CONSISTED OF TWO ATMOSPHERIC DISTILLATION UNITS OF 3,500 TONS PER DAY CAPACITY, A COKER FOR PROCESSING ASPHALTIC CRUDE FROM SINAI FIELDS, AND LUBRICATING OIL FACILITY. ALL UNITS WERE IN FULL OPERATION FOR ONLY A FEW MONTHS BEFORE 1967 WAR. AFTER EXTENSIVE DAMAGE IN 1967-69 PERIOD, PRODUCTION CEASED COMPLETELY, BUT ONE OF ATMOSPHERIC DISTILLATION UNITS WAS MOVED TO MUSTARAT NEAR CAIRO.

B) SECOND REFINERY AT SUEZ WAS ORIGINALLY OWNED BY ANGLO-EGYPTIAN OIL COMPANY, A CONSORTIUM THAT INCLUDED BOTH BRITISH AND DUTCH INTERESTS. AFTER 1964, ENTIRE REFINERY WAS NATIONALIZED AND RENAMED AL-NASR REFINERY. IN 1967 FACILITIES CONSISTED OF THREE ATMOSPHERIC UNITS WITH A TOTAL CAPACITY OF 4.5 MILLION TONS PER YEAR. JUST BEFORE THE START OF 1967 WAR A MAJOR EXPANSION OF REFINERY WAS PLANNED USING SOVIET AND CZECH TECHNOLOGY. EQUIPMENT WAS ORDERED AND FOUNDATIONS WERE LAID, BUT DUE TO WAR DANGER, EQUIPMENT AND AL-NASR PERSONNEL WERE TRANSFERRED TO AMARIYYA SITE NEAR ALEXANDRIA AND OPERATED UNDER THE NAME OF AL-NASR THROUGHOUT MUCH OF INTERIM PERIOD. PRODUCTION AT AL-NASR ALSO CEASED FOLLOWING 1967, AND SOME TECHNICAL EQUIPMENT WAS REMOVED TO SAFE STORAGE.

2. FOLLOWING DISENGAGEMENT AGREEMENT OF JANUARY, 1974, GOE BEGAN RESTORATION OF BOTH REFINERIES, WHICH WENT INTO OPERATION IN LATE FEBRUARY 1975. CONSIDERING STATE IN WHICH REPORTING OFFICERS FOUND SITES, IT IS A REMARKABLE ACHIEVEMENT THAT AS MUCH WORK HAS BEEN DONE IN SO LITTLE TIME. SUPERINTENDENTS OF BOTH PLANTS GAVE CREDIT FOR FAST WORK TO ENTHUSIASM OF WORKERS. (THEY CLAIMED THAT, WHEN APPRISED THAT REFINERIES WERE TO BE REOPENED, WORKERS VOLUNTARILY CAME BACK TO WORK, USING ENGINEERING SKILLS DEVELOPED DURING WAR YEARS TO ACHIEVE TREMENDOUS PROGRESS IN SHORT TIME.)

A) SUEZ REFINERY HAS RESTORED REMAINING ATMOSPHERIC UNIT TO ABOUT 1,000 TONS PER DAY CAPACITY. THIS IS APPARENTLY LIMIT GIVEN AVAILABLE SPARE PARTS. STUDIES ARE CURRENTLY UNDERWAY FOR RESTORING COKER AND LUBE OIL PLANT. THE LATTER
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CAN PROCESS PARAFFIN BASED MORGAN CRUDE IF RESTORED, BUT COKER IS DEPENDENT ON SINAI-TYPE CRUDE.

B) AL-NASR REFINERY HAS RESTORED TWO OF THREE UNITS WITH A CAPACITY OF 1.25 MILLION TONS PER YEAR OR ROUGHLY ONE THIRD OF ORIGINAL CAPCITY. AL-NASR HAD TO CANNIBALIZE LARGEST UNIT IN ORDER TO PUT TWO SMALLER ONES INTO OPERATION. BOTH REFINERIES ARE WORKING AT OR NEAR NEW CAPACITY (TOTAL OF

10,000 TONS PER DAY THROUGHPUT) AND PRODUCTS ARE BEING DISTRIBUTED SOLELY IN CANAL ZONE. AL-NASR PLANS TO PUT A BUTAGAS PLANT INTO OPERATION IN SEPT TO SUPPLY CANAL AREA. NEIGHER REFINERY APPARENTLY HAS IMMEDIATE PLANS TO EXPAND. OFFICIALS STATED THAT MASSIVE INFUSION OF OUTSIDE CAPITAL, PROBABLY IN FORM JOINT VENTURE, WOULD BE REQUIRED IN ORDER TO GET COMPANIES MOVING AGAIN, BUT WERE NOT SURE IF OR WHEN THIS MIGHT HAPPEN.

3. COMMENT: FACT THAT REFINERIES PUT BACK INTO OPERATION SO RAPIDLY OBVIOUSLY HAS BEEN MAJOR BOOST TO CANAL DEVELOPMENT AND IS TRIBUTE TO EGYPTIAN PETROLEUM TECHNOLOGY. BOTH REFINERIES, IN THEIR PRESENT CONDITION, SEEM TO BE EXCELLENT INVESTMENT OPPORTUNITIES FOR AMERICAN COMPANIES IN TERMS OF IMPORTANCE TO LOCAL MARKET AND IN TERMS OF EXPORT TO REGIONS EAST OF SUEZ.
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